

BEFORE THE TAX COMMISSION OF THE STATE OF IDAHO

In the Matter of the Protest of)	
)	DOCKET NO. 18333
[Redacted] Petitioners.)	
)	DECISION
)	
)	

This case arises from a timely protest of a State Tax Commission staff's (staff) decision adjusting property tax reduction benefits for 2004. This matter was submitted for a decision based on the documents in the file. The State Tax Commission has reviewed the file and makes its decision based on the contents of that file.

All property within the jurisdiction of this state is subject to property tax. A property tax reduction benefit is available to certain qualifying individuals. The benefit is in the form of a payment (either total or partial) of the applicant's property tax on the dwelling he/she owns and occupies. The payment is funded by state sales tax funds. The amount of property tax reduction depends on income--the greater the income, the smaller the benefit.

[Redacted] (petitioners) filed an application for the property tax reduction benefit on or about March 12, 2004. The application submitted to [Redacted] County included federal adjusted gross income and social security and deducted medical expenses. They attached a copy of their 2003 federal income tax return.

The staff reviewed the application for accuracy and compared the information with other records pursuant to Idaho Code § 63-707(5). The federal return showed the petitioners received non-taxable income from pensions or annuities as well as capital gains during 2003. The application did not list the additional income or the deduction of capital gains. When the \$14,772 pensions or

annuities were added to the income reported by the petitioners and the \$2,586 of capital gains was subtracted, the petitioners' total net income for property tax reduction purposes exceeded the maximum allowed for a minimum benefit.

The staff sent the petitioners a notice advising them of the intent to deny the 2004 benefit. The petitioners protested the intended action, and their file was transferred to the Legal/Tax Policy Division for administrative review.

Income for property tax reduction benefits purposes is defined in Idaho Code § 63-701(5) as follows:

(5) **"Income" means the sum of federal adjusted gross income** as defined in the Internal Revenue Code, as defined in section 63-3004, Idaho Code, **and** to the extent not already included in federal adjusted gross income:

- (a) Alimony;
- (b) Support money;
- (c) Nontaxable strike benefits;
- (d) **The nontaxable amount of any individual retirement account, pension or annuity, (including railroad retirement benefits, all payments received under the federal social security act** except the social security death benefit as specified in this subsection, state unemployment insurance laws, and veterans disability pensions and compensation, excluding rollovers as provided in section 402 or 403 of the Internal Revenue Code);
- (e) Nontaxable interest received from the federal government or any of its instrumentalities or a state government or any of its instrumentalities;
- (f) Worker's compensation; and
- (g) The gross amount of loss of earnings insurance.

It does not include capital gains, gifts from nongovernmental sources or inheritances. **To the extent not reimbursed, the cost of medical care as defined in section 213(d) of the Internal Revenue Code, incurred or paid by the claimant and/or, if applicable, the claimant's spouse, may be deducted from income. To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars**

(\$5,000) per claim. To the extent not reimbursed, personal funeral expenses, including prepaid funeral expenses and premiums on funeral insurance, of the claimant and claimant's spouse only, may be deducted from income up to an annual maximum of five thousand dollars (\$5,000) per claim. "Income" does not include veterans disability pensions received by a person described in subsection (1)(e) who is a claimant or a claimant's spouse if the disability pension is received pursuant to a service-connected disability of a degree of forty percent (40%) or more. "Income" does not include lump sum death benefits made by the social security administration pursuant to 42 U.S.C. section 402(i). Documentation of medical expenses may be required by the county assessor, board of equalization and state tax commission in such form as the county assessor, board of equalization or state tax commission shall determine. **"Income" shall be that received in the calendar year immediately preceding the year in which a claim is filed.** Where a claimant and/or the claimant's spouse does not file a federal tax return, the claimant's and/or the claimant's spouse's federal adjusted gross income, for purposes of this section, shall be an income equivalent to federal adjusted gross income had the claimant and/or the claimant's spouse filed a federal tax return, as determined by the county assessor. The county assessor, board of equalization or state tax commission may require documentation of income in such form as each shall determine, including, but not limited to: copies of federal or state tax returns and any attachments thereto; and income reporting forms such as the W-2 and 1099. (Emphasis added.)

For property tax reduction benefit purposes, the calculation of income starts with federal adjusted gross income and, thereafter, makes certain additions and deductions. The Tax Commission compared the figures shown in the petitioners' application with the amounts listed in their records at the Social Security Administration, the records at the Tax Commission, and the petitioners' federal individual income tax return.

The information supported the changes made by the staff. However, with the petitioners' letter of protest, they sent a copy of their personal funeral plans including amounts they paid in 2003 for their personal funeral insurance and other prepaid burial expenses. Idaho Code § 63-701(5)

allows up to \$5,000 of such expenses to be deducted from income for property tax reduction benefit purposes.

Unfortunately, subtracting the \$5,000 for funeral expenses does not reduce the petitioners' total income below the \$21,580 maximum amount allowed for a minimum benefit. The petitioners must be denied a property tax reduction benefit for 2004.

The State Tax Commission is aware there is some potential this decision could cause a hardship to the property tax reduction applicant in certain circumstances. The proper jurisdiction to handle such hardship situations falls with the Jefferson County Commissioners pursuant to Idaho Code § 63-711.

WHEREFORE, the Intent to Deny Property Tax Reduction Benefit letter dated September 9, 2004, is APPROVED, AFFIRMED, and MADE FINAL.

An explanation of the petitioners' right to appeal this decision is enclosed with this decision.

DATED this ____ day of _____, 2004

IDAHO STATE TAX COMMISSION

COMMISSIONER

CERTIFICATE OF SERVICE BY MAIL

I hereby certify that I have on this ____ day of _____, 2004, served a copy of the within and foregoing DECISION by sending the same by United States mail, postage prepaid, in an envelope addressed to:

[Redacted]	[Redacted]
[Redacted]	
[Redacted]	[Redacted]
[Redacted]	